

MINUTES
BUDGET MONITORING COMMITTEE
Thursday, July 27, 2000 - 12:00 p.m.
County-City Building - Room 113

PRESENT: Kathy Campbell and Linda Steinman, County Commissioners; David Kroeker, County Budget & Fiscal Officer; Sheriff Terry Wagner; Dennis Banks, Juvenile Detention Center Director; Gary Lacey, County Attorney (sat in for portion of meeting); Ron Krejci, Jim Nissen and Cori Beattie, County Board Secretary

Campbell stated that a public hearing on the County's budget will be held on Tuesday, August 8, 2000 at 7:00 p.m., at the County-City Building, Room 112. Members of the Budget Monitoring Committee were invited to attend the public hearing. She added that if questions arise between now and then, members can contact the County Board office. It was noted that the County Board recently trimmed over \$1,000,000 from initial budget requests. A handout detailing various budget-related statistics was distributed (copy attached; see Exhibit A).

Kroeker indicated the first column of page one shows the requests received from each department. The second column shows rent adjustments for security in the Hall of Justice which caused a small increase in staffing for the Sheriff. This is being billed back to departments in that building. The third column reflects the adjustments made by the County Board. Kroeker added that the actual tax impact came to \$1,101,456. All adjustments are affecting the transfer from keno for funding parts, therefore, not increasing or decreasing the budget but rather a new source of money for funding.

The County Board had asked that there be no increase in current staffing. In going through budget hearings, some changes were addressed and can be seen on page one under "Agency Hearing Adjustments."

The Board's proposed budget amount is \$122,761,325 which is a \$5,357,145 (4.56%) increase from FY 1999-2000. Kroeker said three funds were eliminated - Inheritance Tax, Relief Medical and Institutions. Money left in the Relief/Medical and Institutions Funds was transferred to the General Fund. New agency numbers for this budget year include:

- O 613 Administrative Services - Includes County Board staff
- O 626 Indigent Defense Screener - This person will work with County Court to determine whether an offender qualifies for a public defender. It is hoped that this position will pay for itself. Campbell added that Lancaster County is the pilot for the entire State and allocated \$100,000 in keno funds last year for the two-year program. Currently, each individual judge is responsible for screening offenders and this system seems to lack consistency. If this program is successful, the State Supreme Court may begin instituting it in other counties. The screener will be responsible for gathering information and providing it to a judge who will still make the final decision on indigency. Judges are very supportive of the program. Steinman said a cost savings would be realized if it is shown that offenders have the means to hire an attorney.
- O 675 Intensive Supervision - Includes State probation officers, for which the County is required to provide space, and alternative means of incarceration, i.e., bracelet program.
- O 60 Families First & Foremost - The County has had this fund in the budget for two years; it is a federal grant.
- O 45 Ag Society Interlocal Levy

Kroeker stated that the Agricultural Society is building a new events center and asked the County Board for \$3.9 million. The Board has the ability to allocate a portion of \$0.15 to various subdivisions such as the Ag Society. Reductions to rural fire districts and the Railroad Transportation Safety District were reviewed to see if any extra funds could be applied to the Ag Society. It was decided that reductions to these subdivisions would not be in the County's best interest. Kroeker added that while the County can allocate a portion of \$0.15 to subdivisions, it may also use an additional \$0.05 for interlocal agreements. Therefore, a plan was proposed to use this \$0.05 for the Agricultural Society. Debt would be issued through an interlocal agreement with the Ag Society and would have the full faith and credit of the County.

A meeting was held with Ag Society representatives at which time it was discovered that a number of additional expenses were mounting: paving Havelock Avenue = \$80,000; maintenance building costs = \$75,000 to \$400,000 (the higher amount including meeting rooms, areas for small animal and a place to store maintenance equipment). Kroeker said the bottom line is that to make the events center work, the Ag Society feels it needs these additions. He added that paving the parking lot would be another \$800,000. Last week, the Ag Society asked the County Board for a total of \$5 million. The cost of issuing the bonds would be around \$75,000. Campbell commented that a meeting is going to be held with both legal counsels to see if the interlocal agreement will work.

Krejci asked if any negative feedback was received regarding the recent newspaper article about the Ag Society. Steinman said no feedback was received to date, although, another article will be run which may generate more interest.

Campbell said the Ag Society's early planning process was not very refined so when the pencil was finally put to the paper, more money was needed. She mentioned that the Ag Society has reported to the County Board that it's been trying to raise \$3 million from the community for the events center. Supposedly, they ran into problems with people saying the Ag Society has the ability to tax since it's a governmental entity. Preliminary fundraising estimates were evidently unrealistic as \$3 million has not been raised. Krejci commented that none of this would have happened if the Ag Society cooperated with the State Fair Board on the project. Steinman said that wouldn't have been a possibility. She was chairperson of the County Board at the time and numerous meetings were held between the two entities. For whatever reason, things just didn't work out.

Campbell added that the State Fair persisted in saying that once the Ag Society built buildings, the State would own and control them. Steinman said the Antelope Valley project was also on the table and this would have destroyed one of the proposed buildings. The dilemma was very complicated.

Campbell said the County and the Ag Society are still struggling with the interlocal agreement because it is not known if it will work. When asked if his bank has received any correspondence from the Ag Society, Nissen commented that he was not aware of anything. Kroeker said he received a couple calls from the Bank of Bennet indicating that the Ag Society was trying to borrow money. He then contacted Leon Meyer, Events Center Manager, who told him that if the interlocal agreement plan doesn't work out, the Ag Society is going to borrow money.

Campbell commented that the Ag Society is named by State statute in that counties must have a fair board or an agricultural society. It is a political subdivision of the County, similar to rural fire districts. Under LB 1114, the Legislature decided that counties should set the levies for the subdivisions but counties have no power over how the subdivisions operate and are structured. She noted that a problem for the Ag Society was that the original levy was prior to LB 1114 so they levied for capital construction for two years under the old law and thought this amount would be enough (including the money raised from the community). As time went on, the project's scope was increased and fewer dollars were raised than anticipated. Last year, the Ag Society asked the County Board for \$600,000 for a number of small items which were not included, i.e., RV hook-ups, fencing, bathrooms, etc. Then, the Ag Society came back this year asking for more dollars and Campbell said she told them that they cannot be doing this "yo-yo effect" because the County Board does not have that kind of money. She noted that the interlocal agreement would provide some conditions and accountability. It was mentioned that the center was approximately 80% booked, providing a good chunk of revenue to where the Ag Society may break even the first year of operation.

Nissen asked about inheritance tax revenue. Kroeker said this will now show up as revenue in the General Fund. The County is about \$955,000 below last year's collections. Nissen then questioned whether the proposed changes in federal estate taxes would impact this number. Kroeker said he didn't believe anything local would change until State, not federal, law changes.

Kroeker said fund 601 (County Board) has been split into 601 and 613. Fund 613 (Administrative Services) would include the Chief Administrative Officer's and Administrative Secretary's salaries, plus the addition of two full-time employees. During the County Board's reduction process, half of the dollar amount for these new employees was removed, delaying the starting date to January 1, 2001. Campbell said a deputy administrative officer and receptionist will be added. The receptionist position would serve the County Board and Human Services offices to free up existing staff time. She added that Kerry Eagan, Chief Administrative Officer, is also swamped with work. Krejci asked if Eagan's responsibilities would be expanded. Steinman said Eagan would be a department head and oversee and evaluate other employees within the department. Campbell said forming the new department will better clarify things versus placing it all under the County Board. Kroeker added that forming the new department with Eagan as the director was the only way to get the deputy administrative officer in the unclassified service.

Page two of the handout shows the number of employees by agency during the last five years, including the reductions for FY 01. Page three outlines the projected tax rate for Lancaster County. The projected valuation is \$11,300,000. The tax request is \$30,996,000 (less rural library) for total County dollars of \$30,529,729. The tax rate would increase from 0.2583 to 0.2701 or \$0.011812. If the Ag Society is not included, the amount would increase to 0.264488 or \$0.006125.

Kroeker indicated that page four lists the lid computation comparison. Restricted funds increased \$3,685,322. Lid exceptions include: capital improvements, bonded indebtedness and interlocal levy. Leaving these out would reflect an increase of \$2,891,753. Kroeker said that the increase to next year can be 2.5% plus estimated growth in excess. He used 3.7%, although, the exact number will not be known until the final values are released. Using this percentage, the County can increase restricted revenues by \$1,290,939. Kroeker added that in order for this budget to work, a portion (\$1,601,000) of last year's carry forward (\$2,886,000) will have to be used leaving a new carry forward of \$1,285,000. Another safety valve would be the interlocal agreement which may help come up with \$2-3 million.

Kroeker said the County was hit hard by the decrease in inheritance tax and the 35-40% increase in group health insurance. The latter reflects a \$700,000 increase for seven months.

In regard to page four, Kroeker commented that the 2.5% is not very much money when considering the increases. At some point, spending will have to go down or the County will have to get some relief from the Legislature. He added that the new wage contract will hit harder this year than in the past. Krejci inquired if the County offers a payout amount to employees who opt to have health insurance coverage with their spouse's employer. Kroeker said no. Krejci said his business has done this and has saved a lot of money. Campbell noted that the County had seven catastrophic illnesses last year which contributed heavily to the insurance increase. She said the County's tax rate has decreased the last four years but between inheritance tax and health insurance, a decrease wasn't possible for FY 01.

On page six, line two, Kroeker said the Board had been criticized in the past regarding worker's compensation. In 1998, \$248,847 was spent; \$239,063 was spent in 1999. The budgeted amount for FY 00 was \$786,345 and only \$382,995 was spent. He added that the liability owed is not reflected. Premiums are adjusted based on what kind of liability is shown on unpaid worker's compensation. The other self insurance is similar. People tend to look at the bottom line while individual funds should be considered since each is so unique.

Campbell stated that the County has been working with Sherrie Hanneman, with the Chamber of Commerce, regarding economic development requests. The Board is very pleased with this relationship as it has been very successful. The County also contracts with the City for economic development services. She added that the County may be asking the State for more funding since more and more requests are being received.

Kroeker said the County has been receiving intergovernmental transfer payments for Medicaid purposes related to Lancaster Manor. The State is billing the federal government at the Medicare rate and reimbursing the County at the Medicaid rate and pocketing the difference. The County returns all but \$10,000 to the State. Steinman added that the State is currently using these funds to reconfigure rural nursing homes to assisted living facilities and to provide Medicaid to children without insurance.

It was noted that Lancaster Manor does have a negative fund balance of \$266,000. The revenue generated was not sufficient to match this, however, each year the County gets an retroactive settlement which balances the budget. Kroeker said costs did not go down so the County may be receiving a larger reimbursement check. He added that this area will continue to need close monitoring.

Kroeker said the other issue at the Manor is employment. Temporary workers have been utilized quite a bit - FY 00 shows an amount of \$1,671,000. Even though the salary line may decrease, temporary worker hourly rates are larger, causing a negative budget impact. Again, with the retroactive payment, a good share of this will come back to the County.

Nissen questioned the County's population growth. Campbell said it remains steady at a 90%/10% split - the City makes up 90% of the County's population. It was noted how the criminal justice area is growing very rapidly. Wagner said while the law enforcement workload in the County hasn't changed much, the other divisions which work with the population base have increased dramatically. He added that by the year 2017, the Sheriff's department will have over 100 deputies; there are currently 68 deputies. Campbell commented that \$.50 of every \$1.00 is spent in the justice area and almost \$.25 is spent on human services. Approximately 1% is spent on general government, serving everyone else.

Nissen inquired about county/city consolidation. Campbell said there are very few departments which are not county-wide. She indicated that Lancaster County and the City of Lincoln leads the nation with 26 joint agencies; Douglas County and the City of Omaha have only one joint agency. (NOTE: A list of Lancaster County/City of Lincoln joint agencies is attached to these minutes. See Exhibit B.) Campbell stressed the importance of cooperation between the two governments. Another possibility which is being considered is moving the criminal division of the City Attorney's office to the County Attorney. Lacey said he would like to see this happen. There could also be a joint City/County Clerk. Kroeker noted that complete consolidation would likely require a different tax rate when considering services such as water and sewer. Also, since the County is technically "over the City," he doubted the City would be willing to give up everything to the County. There would have to be a lot of different structure for this idea to work.

Campbell noted that a public hearing has been scheduled for Tuesday, August 22, 2000, at which time the consolidation of the County Assessor and Register of Deeds will be addressed and a decision made as to whether the issue should be placed on the November ballot. A citizens committee studied county consolidation and recommended the merger.

A request was received to tour the Hall of Justice. Campbell suggested Tuesday, September 19th or Tuesday, September 26th. At that time, the list of joint agencies will also be reviewed.

Nissen asked if the recent decision on medical services in the community will have an impact on the County budget. Campbell said it will not have an affect on the budget. Wagner said it may regarding rural fire districts. There are no districts south of "O" Street and east of Highway 77 which have an ambulance so the City's provider is relied upon or one of the other rural departments is asked to help. He is concerned that there are no primary transporters in that area of the County. Campbell said the County Board forwarded a resolution to the Mayor, City Council and Medical Society on medical oversight and advocated a contract with the rural fire districts because right now there is no contract, not even with Rural Metro. Until this time, things have been worked out through the protocols of Mutual Aid. Many people have raised concerns about who will be providing service to the County. Steinman said the County was told by a representative from the Lincoln Fire Department (LFD) that it would be either the company the LFD contracts with or LFD. Wagner said it seems that sending rigs from LFD to rural calls would be more costly than sending an ambulance. Campbell said ambulances were going to be used, not fire trucks. Wagner said he heard rigs were going to be used.

It was decided that the Hall of Justice tour would be on Tuesday, September 26, 2000. Campbell asked if members would like to tour any of the other outlying County departments. The Mental Health Center was mentioned. Campbell noted that if any new information is received pertaining to the budget, the Committee would reconvene beforehand. Another meeting will be held in October to go over some of the questions Nissen brought up such as consolidation. Kroeker said members can pick up a copy of the proposed budget anytime next week.

There being no further business, the meeting ended.

Submitted by,

Cori R. Beattie
County Board Secretary